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IN RE:

PETITION OF CHATTANOOGA GAS  
COMPANY, NASHVILLE GAS  
COMPANY, A DIVISION OF PIEDMONT  
NATURAL GAS COMPANY, INC. AND  
UNITED CITIES GAS COMPANY, A  
DIVISION OF ATMOS ENERGY  
CORPORATION, FOR A DECLARATORY  
RULING REGARDING THE  
UNCOLLECTIBLE ACCOUNTS UNDER  
THE PURCHASE GAS ADJUSTMENT  
("PGA") RULES

T.R.A. DOCKET ROOM

Docket No. 03-00209

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**ATMOS ENERGY CORPORATION'S RESPONSES TO  
THE CONSUMER ADVOCATE & PROTECTION DIVISION  
OF THE OFFICE OF THE ATTORNEY GENERALS' DISCOVERY REQUEST**

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Atmos Energy Corporation ("Atmos"), by and through counsel, states the following in response to the discovery request propounded by the Consumer Advocate and Protection Division of the Office of the Attorney General.

**GENERAL OBJECTIONS**

1. Atmos objects to the preliminary matters and definitions to the extent they request information which is beyond the scope of Rules 26, 33 and 36 of the Tennessee Rules of Civil Procedure.
2. Atmos objects to the undefined terms that are utilized throughout the discovery request.
3. Atmos objects to the many requests that require the Company to provide information beginning with the attrition year of the Company's last rate proceeding through the latest month for which the requested information is currently available. The attrition year in

Atmos' case is 1994. Accordingly, it is unduly burdensome to require the Company to go back approximately ten years to provide the information requested, and in many instances the information is not readily available due to the length of time that has passed. Without waiving this objection, Atmos has attempted with respect to the specific discovery request to provide information during the time period reasonably accessible to the Company.

4. Atmos incorporates each of the general objections in response to all discovery requests to the extent applicable.

Respectfully submitted,

BAKER, DONELSON, BEARMAN,  
CALDWELL & BERKOWITZ

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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing has been served on the following this 8th day of September, 2003.

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BAKER, DONELSON, BEARMAN,  
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By: 

**Discovery Request No. 1**

Provided all information related to monthly forfeited discounts, uncollectible revenue and net write-offs from the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available.

**RESPONSE:** Atmos objects to Discovery Request No. 1 to the extent that it is overly broad and unduly burdensome due to the fact that it is seeking "all information related" to various items. In addition, the terms "uncollectible revenues" and "net write-offs" are not defined. It is also unduly burdensome and unreasonable to request information from the beginning of the attrition year and the Company's last rate proceeding through the latest month for which this information is currently available since the attrition year in the case of Atmos is 1994. Without waiving this objection, Atmos has attempted to respond in a reasonable manner and has provided information from 1995 to 2003. Atmos is continuing to research its records to gather the write-off information requested. This response will be supplemented as soon as possible.

Year	Late-Charges	Write-Offs
1995	367,351	
1996	526,661	
1997	609,105	
1998	840,727	
1999	471,452	
2000	172,433	
2001	1,505,949	
2002	1,000,636	
2003 (10 months)	1,365,371	

**Discovery Request No. 2**

Provide monthly expenses recorded in Account 903 (Customer Records and Collection Expenses) listed by sub account detail, by year from the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available.

**Response:**

This information is not readily available; however, the Company is continuing to research its records to gather the requested information. The information will be provided as soon as possible.

**Discovery Request No. 3**

Provide the number of SONP's (Shut-Off Due to Non-Payment) by month and by year from the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available.

**Response:**

SONP Year	Month												Total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
1999													
2000	106	139	279	632	812	417	500	2,125	277	35	221	88	5,831
2001	673	618	900	1,009	1,294	1,159	746	483	256	188	164	105	7,595
2002	503	238	641	1,329	760	564	497	324	217	166	85	156	5,480
2003	276	742	1,567	1,593	1,507	834	778	148					7,445
Total	1,558	1,737	3,387	4,563	4,373	2,974	2,521	3,080	751	589	484	489	26,506

This is the extent of the historical information available.

**Discovery Request No. 4**

Provide the amount of past due/delinquent accounts that have been collected by collectors, including outside collection agents and/or company personnel, by month, from the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available. Provide detail by company personnel or collection agents.

**Response:**

Attached is all detail available showing collection results from 3<sup>rd</sup> party (outside) collectors for the period October 2000 through July 2003.

	Allied Collection Agency	Utility Collections, LTD.
October-00		\$ 21,045
November-00	\$ 3,192	\$ 25,803
December-00	\$ 1,722	\$ 8,059
January-01	\$ -	\$ 6,810
February-01	\$ 37,385	\$ 5,082
March-01	\$ 4,735	\$ 2,697
April-01	\$ 3,123	\$ 4,567
May-01	\$ 863	\$ 6,956
June-01	\$ 1,237	\$ 1,848
July-01	\$ 14,190	\$ 2,008
August-01	\$ 39,478	\$ 1,645
September-01	\$ 44,629	\$ 680
October-01	\$ 18,635	\$ 698
November-01	\$ 20,274	\$ 607
December-01	\$ -	\$ -
January-02	\$ 25,882	\$ 830
February-02	\$ 22,492	\$ 620
March-02	\$ 3,439	\$ 255
April-02	\$ 21,726	\$ 613
May-02	\$ 6,728	\$ 385
June-02	\$ 10,882	\$ 186
July-02	\$ 5,439	\$ 1,400
August-02	\$ 6,291	\$ 900
September-02	\$ 4,252	\$ 188
October-02	\$ 11,992	\$ 299
November-02	\$ 20,130	\$ 1,033
December-02	\$ 10,075	\$ 188
January-03	\$ 3,873	\$ 814
February-03	\$ 15,669	\$ 297
March-03	\$ 7,868	\$ 366
April-03	\$ 6,597	\$ 434
May-03	\$ 2,185	\$ 392

This is the extent of the historical information available.

**Discovery Request No. 5.**

Provide the number of employees detailed by job function charged to credit and collections, meter reading, customer service, call center or other customer contact positions (list by month and from the beginning of the attrition year in the company's latest rate proceeding through the latest month for which this information is currently available). List by job title, by month and by year.

**RESPONSE:** Atmos objects to this discovery request due to the fact that it seeks information which is not kept in the ordinary course of business in the format as requested. Without waiving its objection, Atmos has provided the best information available as of August 26<sup>th</sup> 2003. See attached information relative to Atmos' Mid-States Division. The information relative to the Customer Call Center in Amarillo, Texas will be provided as soon as possible.

**Atmos Mid-States Division current information as of August 29, 2003.**

Historical information is not available.

Sr. Service Technicians	106
Operations Assistants	41
Meter Readers	34
Operations Supervisors	24
Operations Managers	6
Manager, Public Affairs	4
Revenue System Analyst	1
Information Services Coordinator	1

**Atmos Customer Services Center as of August 29, 2003:**

**Discovery Request No. 6**

After how many days is a past due/delinquent account deemed uncollectible?

**Response:**

After an account has been inactive for 90 days, it is written off as a bad debt during the next regularly scheduled monthly write-off.

**Discovery Request No. 7**

Provide the payroll expense for all employee positions charged to Account 903. Identify these positions by job title, by month and by year from the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available.

**RESPONSE:**

Atmos objects to this discovery request due to the fact that it seeks information which is not kept in the ordinary course of business in the format as requested. Without waiving its objection, Atmos will attempt to provide the information at the earliest possible date.

### Discovery Request No. 8

Identify and describe all policies and procedures used in billing, collecting and writing off of uncollectible accounts as of the test year in the latest rate case and as of 7/1/2003. Include a time line and description of the entire collection process, including, but not confined to, meter reading, billing payments, due date, cut-off notice, cut-off date, collection process, date referred to collection, collection costs, write-offs, etc. In addition, describe the company's policies and procedures for use of outside collection agents, including, but not confined to, the number of days that a past due/delinquent account is outstanding before referral to outside collection agents as well as free arrangements with collection agents.

#### **Response:**

As a customer calls for service, he is required to provide proper identification. On accounts with outstanding balances, new customer applicants to those accounts are processed through Equifax "Fraud Alert" to establish identity. Customers will not be provided gas service until they provide proper identification. Applicants who have prior balances with Atmos are required to pay those balances before gas connection.

Security Deposits are billed on customers who cannot provide proof of satisfactory credit from a like utility, or from another Atmos Energy account. Atmos requires a deposit equaling the sum of the two highest months' billings on that account for residential and commercial customers.

Meters are read daily in 30 day "cycles" meaning that almost every working day of the month, meters are being billed. Consumption is captured at approximately 30 day intervals, taking into consideration of number of days in a month, holidays, and weekends.

As billing occurs, the customer is given 20 days to pay his bill from date of mailing until his bill is considered "late". Should the account remain unpaid two days after the due date of the bill, a late pay penalty is assessed to the account. For customers that have demonstrated an "excellent" pay history, they receive a "Past Due Reminder" 10 days after the due date of the bill (or 30 days after bill issuance).

Atmos Customers have several options to pay their gas bills:

- 1) Their bill includes a return mail envelope if they desire to remit through the U.S. Mail service.
- 2) In the State of Tennessee, we have arranged for approximately 70 remote PayCenter locations where customers can pay, often during "non-traditional" hours, including evenings and weekends.
- 3) Customers are afforded the option of paying through bank draft.
- 4) Delinquent customers are afforded the ability to pay through credit card payments twenty four hours a day, seven days a week through our Customer Support Center.
- 5) We accept internet payments through our website

- 6) "Check by Phone" is offered by our Customer Support Center, whereby an amount is debited to the customer's bank account as they request. As with credit card payments, these may be taken 24 x 7 through our Customer Support Center.

Additionally, customers are afforded the opportunity to get on the "Level Payment Plan." This plan essentially bills the customer an average of the most recent 12 month's billings. Monthly payments are more "level" over a year, taking the "highs" and "lows" out of a customer's monthly bill payments. There is no annual "true-up" which occasionally required the customer to settle a deficit in his budget billing. This bill/pay method allows the customer to better budget for gas bills.

Active excellent credit scored customers will receive a "Disconnection Notice" 33 days after due date, should their bill remain unpaid. Other customers who have not established "excellent" credit score will receive the notice 3 days after due date of bill.

If an "excellent" customer's bill remains unpaid 38 days past the due date of the bill, a door tag may be placed at the residence advising the customer of his unpaid bill and that service will be disconnected if not paid. For "non-excellent" credit scored accounts, this notice may be left at the premise 8 days past due date of the bill. If the bill remains unpaid by 3 days later, the customer's gas service is disconnected at the meter.

If the customer wishes to reconnect as a result of disconnection by non-payment, he must pay the entire balance owing, appropriate reconnection charge, and  $\frac{1}{2}$  of the deposit before gas service will be reconnected. The remaining  $\frac{1}{2}$  deposit will be billed and due no later than two months.

The evening of disconnection, a final bill is generated and mailed to the customer the following business day. This final bill is due in 10 days from mailing. If the customer's bill continues to remain unpaid, he is mailed a series of three collection letters in 30 day increments from the date of the final bill. After 3 collection letters have been mailed, if the bill continues to remain unpaid, it is written off as a "bad debt."

Concurrent to this process, local personnel "scrub" the inactive database attempting to locate disconnected customers. Other local utilities, Internet databases, and in-house reports are used as a resource to attempt locating these customers.

Approximately 10 days after the account has been written off, it is submitted to a 3<sup>rd</sup> party collection agency for credit reporting and collection. The collector attempts collection through a series of letters, and telephone calls. If the customer cannot be located through the company address and telephone number, the collector utilizes their "skip tracing" processes attempting to locate the customer and affect payment on account. Should the collector collect any or all of the account balance, the collector is paid a 25% commission on any money recovered. Collectors are not paid a commission on money collected as a result of the customer reconnecting their service with Atmos.

In July of 2003, all written off accounts that have been placed with a 3<sup>rd</sup> Party Collector over 1-1/2 years were removed from that collector and given as 2<sup>nd</sup> placements to another collector. It is too early to assess the success of the 2<sup>nd</sup> placement collector.

**Discovery Request No. 9**

Provide a narrative or other summary of the potential impact of any changes on bad debts expense since the company's last rate case.

**Response:**

In Docket No. 01-00802 the Company responded that in their most recent rate filing \$130,117 was included as "bad debt" expense. In the joint petition of Piedmont, Atmos and Chattanooga, Atmos net write offs attributable to uncollectible account expenses was \$1,572,202. The increasing cost of natural gas (well above historical levels) will continue to impact customers' ability to pay. The magnitude of the difference between the level included in the most recent company's rate filing and the amount of uncollectibles experienced in today's environment is apparent.

**Discovery Request No. 10**

List and explain all factors which may have caused a change in bad debt expense since the beginning of the attrition year in the company's last rate proceeding through the latest months for which this information is currently available.

**Response:**

The Company has not performed an in depth study as to the many factors that can contribute to bad debt. The increase in the price of natural gas is obviously the primary factor. There are other factors such as economic conditions such as plant closings, unemployment, etc.

**Discovery Request No. 11**

Describe in detail the total amount of capital required to "carry" the accounts receivable balances associated with customers that pay after the due date (date when the late payment charge is added to the billed balance):

- a) using the latest available year, and
- b) using the test year from the latest rate case.

**Response:**

Atmos objects to this discovery request to the extent that it does not have access to data in the format as requested. Furthermore, the term "carry" is unclear and not adequately defined. Without waving these objections, Atmos states that the information as requested is not available.

**Discovery Request No. 12**

What is the current cost of short term debt for your company?

**Response:**

Atmos objects to this request to the extent that "short term debt" is unclear and not properly defined. Without waiving this objection, as of June 30, 2003, Atmos had a 13-month average short term debt cost of 2.19%.

**Discovery Request No. 13**

For accounts that are collected after the due date, provide the average number of days that the account is outstanding before it is collected for the test year from the last rate case and the latest available year.

**Response:**

Atmos objects to this request, due to the fact that the requested information is not readily available in the format requested.

**Discovery Request No. 14**

For accounts that are collected after the due date, provide the average balance outstanding, excluding late charges, for the test year from the last rate case and the latest available year.

**Response:**

Atmos objects to this request, due to the fact that the requested information is not readily available in the format requested.

**Discovery Request No. 15**

Provide the revenue lag (in days) as of the test year in the company's latest rate proceeding and the latest available revenue lag.

**Response:**

There was no Lead-Lag study performed in the Company's last rate proceeding, nor has there been such a study since that time.

**Discovery Request No. 16**

Provide the uncollectible expense lag (in days) as of the test year in the company's last rate proceeding and the latest available uncollectible expense lag.

**Response:**

See Response to No. 15

**Discovery Request No. 17**

Provide the purchase gas expense lag (in days) as of the test year in the company's last rate proceeding and the latest available purchase gas expense lag.

**Response:**

See response to No. 15

**Discovery Request No. 18**

Identify each person whom you expect to call as an expert witness at any hearing in this docket, and for each such expert witness:

- (a) identify the field in which the witness is to be offered as an expert;
- (b) provide complete background information, including the expert's current employer as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify, and identify all publications written or presentations presented in whole or in part by the witness;
- (c) provide the grounds (including without limitations any factual basis) for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;
- (d) identify any matter in which the expert has testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;
- (e) identify for each such expert any person whom the expert consulted or otherwise communicated with in connection with his expected testimony;
- (f) identify the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement letters or agreements relative to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;
- (g) identify all documents or things shown to, delivered to, received from, relied upon, or prepared to the witness(es)' expected testimony in this case, whether or not such documents are supportive of such testimony, including without limitation of all documents or things provided to that expert for review in connection with testimony and opinions; and
- (h) identify any exhibits to be used as a summary of or support for the testimony of opinions provided by the expert.

**Response:**

- a) Patricia J. Childers, Vice President – Rates and Regulatory Affairs for Mid- States Division of Atmos Energy Corporation is expected to appear as an expert witness on the recovery of gas cost through the Purchased Gas Adjustment
- b) Mrs. Childers received a BS degree in Business Administration from Middle Tennessee State University in 1972. She was employed by the Tennessee Department of Revenue and Economic and Community Development prior to her employment with United Cities Gas Company in November 1979.
  - a. She has held the position of Rate Analyst, Manger of Gas Supply & Rates, Manager of Regulatory Affairs and currently holds the position of Vice President of Rates & Regulatory Affairs for the Mid-States service areas in Illinois, Tennessee, Virginia, Missouri, Iowa and Georgia.
- c) Mrs. Childers' opinions will be addressed in prefiled testimony along with supporting exhibits.
- d) Mrs. Childers has testified before the above referenced Regulatory Authorities.
- e) (g) (h) Ms. Childers has not prepared her prefiled testimony.
- f) Not applicable.

**Discovery Request No. 19**

Identify and produce copies of any and all documents referred to or relied upon in responding to CAPD's discovery requests.

**Response:**

See responses to individual discovery requests.

**Discovery Request No. 20**

Identify and produce all materials provided to, reviewed by or produced by any expert or consultant retained by Petitioners' to testify or provide information from which another expert will testify concerning this case.

**Response:**

No consultant has been retained at this time.

**Discovery Request No. 21**

Identify and produce all work papers of Petitioners' proposed experts, including but not limited to file notes, chart notes, tests, test results, interviews and/or consult notes and all other file documents that any of Petitioners' expert witnesses in any way used, created, generated or consulted by any Petitioners' expert witnesses in connection with the evaluation conclusion and opinion in this matter.

**Response:**

Primary support will the Administrative Rules and the Company's Purchased Gas Adjustment Clause on file and approved as part of its tariff.

**Discovery Request No. 22:**

Identify and produce a copy of all trade articles, journals, treatises and publications of any kind in any way utilized or relied upon by any of Petitioners' proposed expert witnesses in evaluating, reaching conclusion or formulating an opinion in this matter.

**Response:**

Primary support will the Administrative Rules and the Company's Purchased Gas Adjustment Clause on file and approved as part of its tariff.

**Discovery Request No. 23**

Identify and produce a copy of all documents which relate or pertain to any factual information provided to, gathered by, utilized or relied upon by any of Petitioners' proposed expert witnesses in evaluating, reaching conclusions or formulating an opinion in this matter.

**Response:**

Primary support will the Administrative Rules and the Company's Purchased Gas Adjustment Clause on file and approved as part of its tariff.

**Discovery Request No. 24**

Identify and produce a copy of all articles, journals, books or speeches written by or co-written by any of Petitioners' expert witnesses, whether published or not.

**Responses:**

Not applicable.